

**01750**

1994/08/00

MEETING WITH MINISTER OF FOREIGN TRADE AND ECONOMIC  
COOPERATION, WU YI  
Talking Points

***PRIVATE SESSION***

**INTRODUCTION**

- THE PRESIDENT'S MFN DETERMINATION PAVES THE WAY FOR US TO GREATLY ENHANCE COMMERCIAL COOPERATION. THE JCCT IN APRIL UNDERSCORED COMMERCIAL COOPERATION AS KEY TO FURTHERING OUR OVERALL RELATIONSHIP. WE HOPE TO USE THIS TRIP TO BROADEN OUR COMMERCIAL DIALOGUE AND INITIATIVES INTO NEW AREAS.

**ADVOCACY**

- THE FIRMS ON THIS MISSION REPRESENT MANY OF THE WORLD'S MOST COMPETITIVE WITH RESPECT TO INFRASTRUCTURE-RELATED TECHNOLOGY, DESIGN, KNOW-HOW, AND MANAGEMENT. YOU WILL MEET THEM SHORTLY.
- THESE AND OTHER U.S. FIRMS ARE EAGER TO PARTICIPATE IN CHINA'S BURGEONING INFRASTRUCTURE MARKET AND MANY ARE BIDDING ON KEY PROJECTS WHICH ARE LIKELY TO BE DECIDED ON IN THE NEAR FUTURE. LET ME HIGHLIGHT A FEW: \_\_\_\_\_.
- WE ASK THAT YOU AND YOUR MINISTERIAL COLLEAGUES GIVE THESE FIRMS FAVORABLE CONSIDERATION O THESE IMPORTANT PROJECTS.

## INTELLECTUAL PROPERTY RIGHTS

- DESPITE THE PRESENCE OF A GOOD LEGAL FOUNDATION IN CHINA FOR THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS, THE ABSENCE OF ENFORCEMENT OF THOSE LAWS AND REGULATIONS—ESPECIALLY IN THE AREAS OF COPYRIGHT AND TRADEMARK PRODUCTS—HAS CREATED SERIOUS PROBLEMS.
- BECAUSE OF THE ABSENCE OF EFFECTIVE IPR ENFORCEMENT AND SEVERE MARKET ACCESS BARRIERS—BOTH OF WHICH RESULT IN ENORMOUS LOSSES TO U.S. INDUSTRY—AMBASSADOR KANTOR HAD NO CHOICE BUT TO IDENTIFY CHINA AS A PRIORITY FOREIGN COUNTRY ON JUNE 30 AND INITIATE A SPECIAL 301 INVESTIGATION.
- U.S. COMPANIES LOSE UP TO \$800 MILLION ANNUALLY TO PIRACY OF COPYRIGHTED WORKS ALONE IN CHINA. THIS PIRACY HAS SERIOUS COMMERCIAL IMPLICATIONS FOR CHINA. NOT ONLY ARE AMERICAN COMPANIES LOSING MONEY, BUT THE PIRACY HARMS CHINA'S OWN COMPANIES.
- THE UNITED STATES WANTS TO WORK CONSTRUCTIVELY WITH CHINA TO IMPROVE IPR ENFORCEMENT IN CHINA.

**BUSINESS FACILITATION/SERVICES-REPOWER AND CITIBANK**

- SERVICES AND INVESTMENT REFORM IN CHINA IS OF GREAT IMPORTANCE TO THE UNITED STATES. OUR BUSINESS SECTOR IS EAGER TO ADD THEIR CAPITAL AND EXPERTISE TO FOSTER CHINA'S ECONOMIC GROWTH AND DEVELOPMENT.
- CITIBANK/BANK OF AMERICA/CHEMICAL BANK/FIRST CHICAGO. IN GUANGZHOU, CITIBANK IS EAGER TO RECEIVE APPROVAL FOR ITS BRANCH APPLICATION. THE BANK OF AMERICA, CHEMICAL BANK, AND FIRST CHICAGO ARE ALSO AWAITING APPROVAL OF BRANCH APPLICATIONS. ALL U.S. BANKS ARE HOPEFUL THAT RENMINBI-DENOMINATED BUSINESS WILL BE OPEN TO THEM IN THE FUTURE.
- AT THE JOINT ECONOMIC COMMITTEE MEETING LAST JANUARY WITH SECRETARY BENTSEN AND FINANCE MINISTER LIU, OPENING ADDITIONAL CITIES TO FOREIGN BRANCHES AND APPROVING LOCAL SUYRRENCY BUSINESS WERE TWO COMMITMENTS MADE BY CHINA.
- IT IS VERY IMPORTANT TO US THAT CHINA MEET THOSE COMMITMENTS.
- (IF RAISED) THE LINKING OF THE APPROVAL OF U.S. APPLICATIONS TO OPEN BRANCHES IN CHINA WITH THE FEDERAL RESERVE'S DECISION TO DENY CHINESE BANK APPLICATIONS TO OPEN BRANCHES IN THE U.S. IS COUNTERPRODUCTIVE.

- THE FEDERAL RESERVE STANDS READY TO OFFER TECHNICAL ASSISTANCE IN THIS AREA.
- REVPOWER. I WOULD ALSO LIKE TO RAISE U.S. CONCERNs REGARDING REVPOWER, A NORTH CAROLINA FIRM. SINCE DECEMBER 1993, REVPOWER HAS BEEN WAITING FOR ENFORCEMENT OF A SIX MILLION ARBITRAL AWARD. I WOULD APPRECIATE YOUR ASSISTANCE IN RESOLVING THIS MATTER.

#### EXPORT CONTROLS

- THE U.S. HAS RECENTLY LIBERALIZED EXPORT CONTROLS IN WAYS THAT WILL INCREASE SIGNIFICANTLY THE OPPORTUNITIES FOR U.S.-CHINA TRADE. THIS IS ESPECIALLY APPARENT IN THE COMPUTER AREA, WHERE OUR NEW GENERAL LICENSE GLX (ADOPTED APRIL 4, 1994) ALLOWS COMPUTERS UP TO 1000 MTOPS AND ALMOST ALL TELECOMMUNICATIONS EQUIPMENT TO BE SHIPPED TO CIVIL END-USERS IN CHINA WITHOUT ANY PRIOR USG APPROVAL.
- A PRIME EXAMPLE OF THIS LIBERALIZED POLICY IS THE RECENT SHIPMENT OF A POWERFUL COMPUTER THAT HAS BEEN INSTALLED IN THE NATIONAL METEOROLOGICAL CENTER, IN BEIJING.
- WE HAVE ALSO RECENTLY REMOVED RESTRICTIONS ON THE EXPORT OF SUCH ITEMS AS REACTOR AND POWER PLANT SIMULATORS, PROCESS CONTROL

SYSTEMS, AND TURBINES-GENERATORS FOR USE IN CIVILIAN NUCLEAR POWER PLANTS.

- I BELIEVE THESE ACTIONS DEMONSTRATE OUR DESIRE TO BEGIN A FRUITFUL DIALOGUE ON VARIOUS EXPORT CONTROL ISSUES THAT WILL ALLOW, IN THE FUTURE, FOR FURTHER SUCH LIBERALIZATIONS.
- AS YOU KNOW, COCOM HAS ENDED, AND EFFORTS ARE UNDERWAY TO DEVELOP A NEW REGIME THAT WILL ADDRESS THE CONTROL OF CONVENTIONAL ARMS AND SENSITIVE DUAL USE TECHNOLOGY. MEMBERSHIP IN THE NEW REGIME IS NON-DISCRIMINATORY--THAT IS OPEN TO ALL LIKE-MINDED NATIONS WHO ADHERE TO APPROPRIATE NONPROLIFERATION NORMS (AG, MTCR, NSG), EXERCISE RESTRAINT AND TRANSPARENCY IN CONVENTIONAL ARMS TRANSFERS, AND HAVE EFFECTIVE EXPORT CONTROLS.
- U.S. PROPOSAL FOR EXPORT CONTROL DISCUSSIONS. WE WOULD VERY MUCH LIKE TO DISCUSS OUR EXPERIENCES IN DEVELOPING AN EFFECTIVE EXPORT CONTROL SYSTEM. OUR SPECIALISTS COULD BEGIN THIS PROCESS IMMEDIATELY.
- U.S. PROPOSAL FOR EXPORT CONTROL SEMINARS. IN ADDITION, WE PROPOSE A SEPARATE INITIATIVE INVOLVING A SERIES OF SEMINARS IN CHINA FOR BOTH U.S. COMPANIES AND CHINESE IMPORTERS. THE SEMINARS WOULD

FACILITATE GREATER UNDERSTANDING BY THE BUSINESS COMMUNITY AND HELP EXPEDITE THE PROCESSING OF U.S. EXPORT LICENSES FOR CHINESE END-USERS. THE SEMINARS COULD BEGIN IN LATE 1994.

■ END-USE CHECK ARRANGEMENT (IF CONCLUDED). I AM PLEASED THAT OUR TWO SIDES HAVE REACHED AGREEMENT ON AN END-USE ARRANGEMENT.

FULL IMPLEMENTATION OF NEW ARRANGEMENTS FOR END-USE CHECKS WILL HELP IMPROVE CHINA'S ACCESS TO MORE ADVANCED COMPUTERS AND OTHER HIGH TECHNOLOGY EXPORT FROM THE U.S.

■ (IF NOT YET CONCLUDED): OUR COOPERATION IN CONTROLLING DUAL-USE TECHNOLOGY IS IMPORTANT FOR U.S.-CHINA COMMERCIAL RELATIONS. I AM PLEASED BY THE PROGRESS THAT HAS BEEN MADE TOWARD MORE COOPERATIVE ARRANGEMENTS FOR END-USE CHECKS ON DUAL-USE EXPORT FROM THE U.S. TO CHINA.

■ CHINESE AGREEMENT TO A PRE-LICENSE AND POST-SHIPMENT ARRANGEMENT WILL GREATLY FACILITATE HIGH TECHNOLOGY EXPORTS TO CHINA. WE WOULD LIKE TO WORK WITH YOU TO REALIZE THIS POTENTIAL.

## SERVICES

- CHINA'S MARKET FOR SERVICES REMAINS CLOSED IN MANY RESPECTS TO U.S. COMPANIES--WITH THE EXCEPTION OF SOME EXPERIMENTS IN BANKING, INSURANCE AND OTHER SERVICE AREAS.
- IN INSURANCE, BUSINESS SERVICES, COMMUNICATIONS SERVICES, TRAVEL SERVICES AND OTHER AREAS, CHINA'S MARKET REMAINS VERY RESTRICTIVE. WE ASK THAT CHINA OPEN THESE MARKETS TO U.S. COMPANIES, THE MOST COMPETITIVE IN THE WORLD, IN MANY CASES.

MEETING WITH MINISTER OF FOREIGN TRADE AND ECONOMIC  
COOPERATION (MOFTEC), WU YI

*SENIOR DELEGATION MEMBERS JOIN MEETING*

EFFORTS TO EXPAND COMMERCIAL COOPERATION

- I AM HONORED TO HAVE THE OPPORTUNITY TO LEAD THE FIRST CABINET-LEVEL VISIT TO CHINA IN THE WAKE OF THE PRESIDENT'S DECISION ON CHINA'S MFN STATUS. MY VISIT, WITH ITS WIDE INTERAGENCY REPRESENTATION, REFLECTS THE IMPORTANCE THIS ADMINISTRATION ATTACHES TO BUILDING A LONG-TERM, LASTING RELATIONSHIP WITH CHINA.
- AT NO OTHER TIME IN OUR BILATERAL RELATIONSHIP HAVE WE HAD A BETTER OPPORTUNITY TO ADVANCE OUR COMMERCIAL RELATIONSHIP WITH CHINA. I BELIEVE THAT BOTH THE U.S. AND CHINA HAVE MUCH TO GAIN THROUGH A STRONGER ECONOMIC PARTNERSHIP.
- I AM VERY PLEASED THAT THE U.S. AND CHINA HAVE AGREED TO A VARIETY OF COOPERATIVE AGREEMENTS UNDER A REINVIGORATED JOINT COMMISSION ON COMMERCE AND TRADE.
- THE FRAMEWORK ARRANGEMENT AND SECTORAL AGREEMENTS UNDER THE BUSINESS DEVELOPMENT WORKING GROUP WILL CHART THE COURSE FOR LONG-TERM COOPERATION IN PRIORITY INDUSTRY SECTORS, INCLUDING

INFORMATION TECHNOLOGIES, ENERGY, TRANSPORTATION, ENVIRONMENT, CHEMICALS, SERVICES, AND HEALTH CARE..

- I AM HOPEFUL THAT THE WORK OF THESE SECTORAL PROGRAMS PRODUCES PRACTICAL RESULTS FOR BOTH OUR BUSINESS COMMUNITIES AND BUILDS STRONG TIES BETWEEN THE U.S. PRIVATE SECTOR AND CHINA'S ENTERPRISES.
- I AM ALSO PLEASED THAT OUR TWO SIDES ARE GOING TO RECOGNIZE COOPERATIVE INITIATIVES IN THE COMMERCIAL LAW, EXPORT CONTROLS, MANAGEMENT TRAINING, WATER RESOURCES FORECASTING, AND DISASTER COMMUNICATIONS AREAS. THE SCOPE OF THE VARIOUS INITIATIVES EMANATING FROM THIS VISIT REFLECTS OUR BROADER INTEREST IN PLAYING A POSITIVE ROLE IN CHINA'S ECONOMIC DEVELOPMENT.
- TO CONTINUE THIS POSITIVE MOMENTUM, I WOULD LIKE TO PROPOSE THAT THE JCCT WORKING GROUP CO-CHAIRS CONSIDER MEETING IN THE NEAR FUTURE TO REVIEW WORKING GROUP ACTIVITIES AND ISSUES OF INTEREST TO BOTH SIDES.
- I AM PLEASED TO NOTE THAT OUR TWO SIDES WILL JOINTLY SPONSOR AN EXECUTIVE-LEVEL LEGAL SEMINAR IN NOVEMBER UNDER THE COMMERCIAL LAW WORKING GROUP. AS ATTORNEYS, GENERAL COUNSEL LEW AND I ARE MOST INTERESTED IN THE DEVELOPMENT OF CHINA'S COMMERCIAL LEGAL

REGIME AND WAYS IN WHICH WE CAN FOCUS OUR ENERGIES ON TIMELY TOPICS OF INTEREST TO BOTH SIDES AND SPONSOR ONGOING JOINT EXCHANGES OF ACADEMIA AND LEGAL PRACTITIONERS.

- WE ARE VERY ENCOURAGED BY THE MANY EVENTS PLANNED FOR THE SECTORAL WORK PROGRAMS OVER THE COURSE OF THE NEXT YEAR AND THE ENORMOUS POTENTIAL THAT THESE EVENTS HOLD FOR THE SECTORAL WORK PROGRAMS. THESE WORK PROGRAMS ARE PERHAPS THE MOST AMBITIOUS FOCUS ON INDUSTRIAL COOPERATION EVER UNDERTAKEN BY OUR TWO COUNTRIES.
- WE LOOK FORWARD TO THE NOVEMBER 3-4 U.S.-CHINA SEMINAR ON INFRASTRUCTURE TO BE HELD IN WASHINGTON, D.C. AT WHICH STATE PLANNING COMMISSION VICE CHAIRMAN, GAN ZIYU, HAS AGREED TO SPEAK. WE ARE CO-SPONSORING THIS EVENT WITH THE U.S.-CHINA BUSINESS COUNCIL AND THE U.S. CHAMBER OF COMMERCE. I OR U/S GARTEN AND A NUMBER OF OTHER COMMERCE OFFICIALS WILL PARTICIPATE IN THIS EVENT.
- WE HOPE TO USE THIS EVENT TO EMBELLISH WORK UNDER APPROPRIATE WORK PROGRAMS. WILL MOFTEC BE SENDING ANY REPRESENTATIVES? OUR TWO SIDES SHOULD LOOK TO CO-SPONSORING A SIMILAR CONFERENCE TO COINCIDE WITH NEXT YEAR'S JCCT.

## BUSINESS FACILITATION

- AS OUR TWO SIDES MOVE FORWARD IN ESTABLISHING PROGRAMS FOR INCREASED BILATERAL COMMERCIAL COOPERATION, WE SHOULD NOT FORGET THAT OLD PROBLEMS REMAIN. WHILE CHINA HAS MADE GREAT STRIDES IN DEVELOPING A MORE FAVORABLE COMMERCIAL CLIMATE, THERE ARE STILL A NUMBER OF PROBLEMS REGARDING THE CONDITIONS UNDER WHICH FIRMS MUST OPERATE WHICH IMPEDE U.S. PARTICIPATION IN CHINA'S ECONOMIC DEVELOPMENT.
- REPRESENTATIVE OFFICES, JOINT VENTURES, AND WHOLLY-OWNED VENTURES ARE PLAGUED BY LIMITS ON THEIR AUTHORIZED SCOPE OF BUSINESS ACTIVITY, CUMBERSOME LABOR REGULATIONS, ARBITRARY AND DISCRIMINATORY FEES, AMONG OTHERS. THESE IMPEDIMENTS DAMPEN INVESTOR INTEREST AND ULTIMATELY DISCOURAGE NEW BUSINESS AND INVESTMENT PROSPECTS.
- IMPROVING THE OPERATING CONDITIONS FOR U.S. FIRMS—REPRESENTATIVE OFFICES, JOINT VENTURES, AND WHOLLY-OWNED VENTURES ALIKE—WILL ENSURE THAT OUR TWO COUNTRIES RECEIVE THE MAXIMUM BENEFITS FROM THE AGREEMENTS WE WILL REACH DURING MY VISIT TO CHINA.

MEETING WITH MINISTER OF FOREIGN TRADE AND ECONOMIC  
COOPERATION (MOFTEC), WU YI

***IF RAISED TALKING POINTS***

**GATT**

- SUPPORT OF CHINA'S ACCESSION. THE UNITED STATES HAS SUPPORTED, AND CONTINUES TO SUPPORT, THE ENTRY OF CHINA INTO THE GATT, AND INTO THE INTERNATIONAL TRADING COMMUNITY, ON TERMS THAT ARE APPROPRIATE TO CHINA'S ECONOMIC AND TRADE SYSTEM AND COMPATIBLE WITH GATT PRINCIPLES.
- CHINA HAS APPROACHED THE GATT NOT AS A CENTRALLY PLANNED, NON-MARKET ECONOMY, BUT AS A COUNTRY WHOSE ECONOMIC AND TRADE SYSTEM IS BEING REFORMED TO PRODUCE A REGIME THAT CAN ACTUALLY ADOPT GATT-MANDATED MECHANISMS TO REGULATE ITS TRADE AND TO ACHIEVE TRUE MARKET ACCESS.
- HOWEVER, BOTH CHINA AND THE CONTRACTING PARTIES (CPS) ARE AWARE THAT CHINA'S ECONOMIC AND TRADE SYSTEM IS NOT YET GATT COMPATIBLE. A NEGOTIATED SET OF ECONOMIC SAFEGUARDS IN CHINA'S PROTOCOL OF ACCESSION IS ONE OF THE STEPS WHICH COULD SPEED CP ACCEPTANCE OF CHINA'S GATT MEMBERSHIP AND ACCELERATE CHINA'S INTERNAL REFORM.

- LDC TREATMENT IN GATT. CHINA IS ONE OF THE FASTEST GROWING TRADING NATIONS IN THE WORLD AND IS INTERNATIONALLY COMPETITIVE IN MANY INDUSTRIAL AREAS. SUCH A LARGE, COMPETITIVE, GROWING AND TRANSFORMING TRADE REGIME CANNOT BE REGARDED AS A LESS-DEVELOPED COUNTRY IN ITS GATT RELATIONS.
- CHINA SHOULD CONTINUE TO TAKE A CONSTRUCTIVE APPROACH TO ITS GATT/WTO ACCESSION NEGOTIATIONS, UNDERSTANDING THAT COMMITMENTS TO FURTHER SOLIDIFY CHINA'S REFORMS AND OPENING TO THE WORLD SERVE CHINA'S ECONOMIC INTERESTS AS MUCH OR MORE THAN THEY SERVE THOSE OF THE OTHER GATT CPS.
- COVERAGE OF U.S. TARIFF REQUEST LIST. THE UNITED STATES HAS PRESENTED ITS GATT/WTO TARIFF REQUEST TO CHINA. THIS DOCUMENT WAS VERY CAREFULLY PREPARED. IT IS A REASONABLE AND STRAIGHTFORWARD REQUEST REPRESENTING U.S. TRADE INTERESTS AND INCORPORATING THE HARMONIZED TARIFF REDUCTIONS AGREED TO IN THE URUGUAY ROUND.
- THE UNITED STATES REQUEST FOR COMPREHENSIVE AND COMMERCIALLY MEANINGFUL TARIFF REDUCTIONS REFLECTS THE CONTINUING INTEREST OF THE U.S. BUSINESS COMMUNITY IN GAINING ACCESS TO AND COMPETING FAIRLY IN THE LARGE AND GROWING CHINA MARKET.

- "FOUNDING" MEMBERSHIP IN THE WTO. WE ARE AWARE OF CHINA'S DESIRE TO COMPLETE ITS GATT ACCESSION NEGOTIATIONS BY THE END OF 1994, IN ORDER TO QUALIFY FOR "FOUNDING" MEMBERSHIP IN THE WTO, WHICH WAS ESTABLISHED AT THE APRIL 15 MARRAKESH MEETING AND WHICH WE EXPECT TO BE IMPLEMENTED AT THE END OF THIS YEAR.
- GIVEN THE SIZE, COMPLEXITY AND RAPIDLY CHANGING CHARACTERISTICS OF CHINA'S TRADE REGIME, AND THE CONCERNS OF MANY CONTRACTING PARTIES ABOUT CHINA'S ABILITY TO UNIFORMLY IMPLEMENT FUNDAMENTAL GATT OBLIGATIONS, WE DO NOT BELIEVE THAT AN ARTIFICIAL OR ARBITRARY DEADLINE, SUCH AS QUALIFYING FOR FOUNDING MEMBERSHIP IN THE WTO, SHOULD BE IMPOSED ON COMPLETION OF CHINA'S ACCESSION.

#### TDA AND OPIC

- WE AGREE THAT BOTH TDA AND OPIC ARE IMPORTANT TO FURTHERING COMMERCIAL COOPERATION BETWEEN OUR TWO COUNTRIES. THE PRESIDENT'S RECENT DECISION ON CHINA'S MFN STATUS CALLED FOR THE CONTINUATION OF THE SUSPENSION OF BOTH OF THESE PROGRAMS IN CHINA.

#### CONCESSIONARY FINANCING

- UNDER THE ADMINISTRATION'S NEW TIED AID POLICY, THE EXPORT-IMPORT BANK (EXIMBANK) WILL CONSIDER MATCHING FOREIGN TIED AID CREDITS THAT OFFER PROSPECTS FOR SERIOUS TRADE DISTORTION, IF U.S. SALES ARE

STRONGLY COMPETITIVE AND OFFER FOLLOW-ON MARKET PENETRATION. EXIMBANK DOES NOT INTRODUCE TIED AID INTO COMPETITIVE SITUATIONS, HOWEVER, SINCE A "FIRST STRIKE" POLICY WOULD CONTRADICT OUR GOAL OF REDUCING GLOBAL TIED AID.

- ON CONVENTIONAL FINANCE, GIVEN EARLIER PROJECT INFORMATION, PLUS DETAILS ON COMPETITIVE FINANCING OFFERS, THE USG CAN MOBILIZE FUNDS IN A TIMELY MANNER. YOUR HELP WILL BE PIVOTAL IN CONCLUDING TIMELY U.S. COUNTEROFFERS.
- EXIMBANK'S NEWLY-CREATED PROJECT FINANCE DIVISION NOW IS PROCESSING APPLICATION REQUESTS FOR PROJECT FINANCING IN CHINA. THIS PROGRAM HAS NEITHER A MAXIMUM NOR MINIMUM PROJECT SIZE.

#### TEXTILES

- ON THE RECENT TRANSSHIPMENT CHARGE. WE APPRECIATE THE EFFORTS OF THE CHINESE GOVERNMENT TO INVESTIGATE AND ELIMINATE INCIDENTS OF ILLEGAL TRANSSHIPMENT. WE PRESENTED CLEAR EVIDENCE DURING TALKS IN SAN FRANCISCO THAT GOODS SHIPPED AS PRODUCTS OF THE DOMINICAN REPUBLIC, AUSTRALIA, AND THE MALDIVES WERE ACTUALLY CHINESE GOODS. THE GOODS ARE RIGHTLY CHARGED TO CHINESE QUOTAS.

- WE REMAIN WILLING TO REDUCE THESE CHARGES IF YOU CAN SHOW EVIDENCE THAT THESE GOODS WERE NOT MADE IN CHINA.

#### TEXTILES-RULES OF ORIGIN

- THESE AMENDMENTS WILL BRING OUR RULES INTO LINE WITH CANADA AND THE EUROPEAN UNION, THE OTHER MAJOR APPAREL IMPORTING NATIONS.
- THE AMENDMENT ENHANCES U.S. CUSTOMS' ABILITY TO DETECT AND PREVENT ILLEGAL TRANSSHIPMENT.

#### HOLLINGS AMENDMENT

- THE CLINTON ADMINISTRATION DOES NOT SUPPORT THE HOLLINGS AMENDMENT OR OTHER SIMILAR AMENDMENTS AS THE APPROPRIATE WAY TO ACHIEVE THE GOALS OF FAIR PRICING FOR LAUNCH SERVICES OR NONPROLIFERATION. I PERSONALLY WROTE A LETTER OPPOSING THE AMENDMENT. WE BELIEVE DISCUSSING THESE ISSUES IN OTHER FORA ARE THE BEST WAYS TO RESOLVE SUCH PROBLEMS.

#### IMPORT ADMINISTRATION

- INCREASING NUMBER OF CASES. IT IS NATURAL TO EXPECT THAT, AS CHINESE EXPORTS TO THE UNITED STATES INCREASE, THE NUMBER OF ANTIDUMPING COMPLAINTS WILL ALSO INCREASE. IT WOULD BE HELPFUL IF YOUR GOVERNMENT WOULD ENCOURAGE EXPORTERS TO RESPOND TO OUR

ANTIDUMPING QUESTIONNAIRES SO THAT THEY ARE NOT SUBJECT TO ADVERSE FINDINGS. WE ALSO RELY HEAVILY ON YOUR GOVERNMENT TO IDENTIFY THE ENTERPRISES THAT ARE EXPORTING TO THE UNITED STATES AND WE CONTINUE TO NEED YOUR ASSISTANCE IN THIS REGARD.

- SEPARATE RATES. OUR POLICY ON GRANTING EACH COMPANY ITS OWN ANTIDUMPING DUTY RATE IS EVOLVING AS THE CHINESE ECONOMY IS EVOLVING. WE ARE INCREASINGLY INVESTIGATING CHINESE ENTERPRISES WITH NEW AND DIFFERENT TYPES OF BUSINESS STRUCTURES, SUCH AS SHAREHOLDING COMPANIES AND PARTIALLY FOREIGN-OWNED COMPANIES, AND WE HAVE BEEN ADAPTING OUR POLICY TO ACCOMMODATE THESE NEW FORMS.
- NME STATUS. WE CONTINUE TO VIEW CHINA AS A NONMARKET ECONOMY COUNTRY. WE DO NOT VIEW CHINA AS QUALIFYING FOR ECONOMY IN TRANSITION (EIT) STATUS UNDER LEGISLATION CURRENTLY BEING CONSIDERED BY THE CONGRESS BECAUSE OF THE VIRTUAL ABSENCE OF PRIVATE PROPERTY RIGHTS IN YOUR COUNTRY.